

BNSF Railway

Summer 2005 Western COG Conference:
*Building a Freight Movement Framework
for the West Coast*



Andrew Johnsen
Director of Government Affairs

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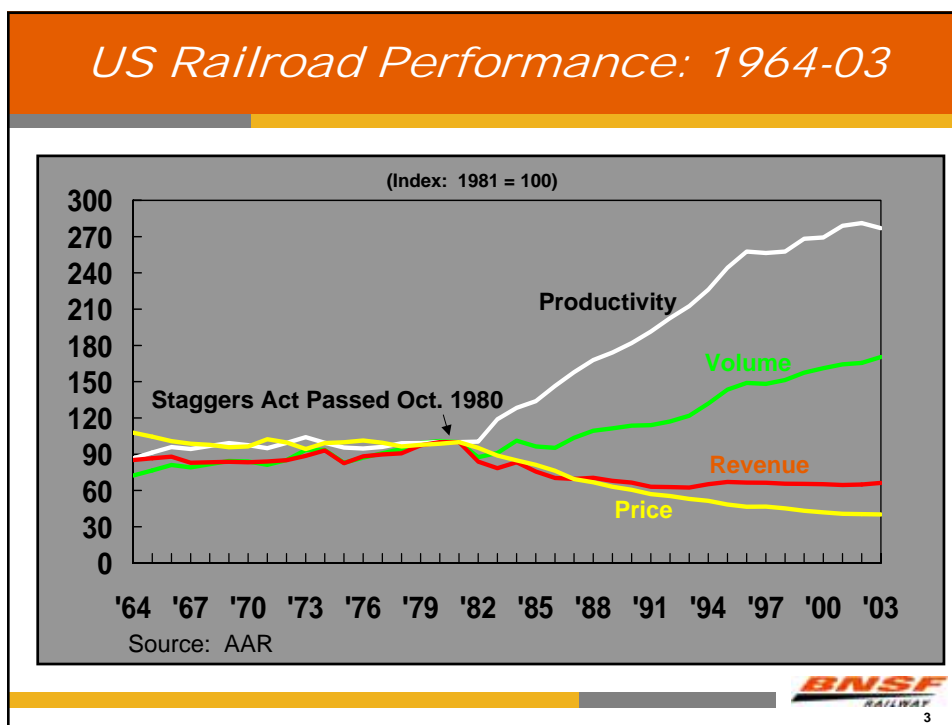
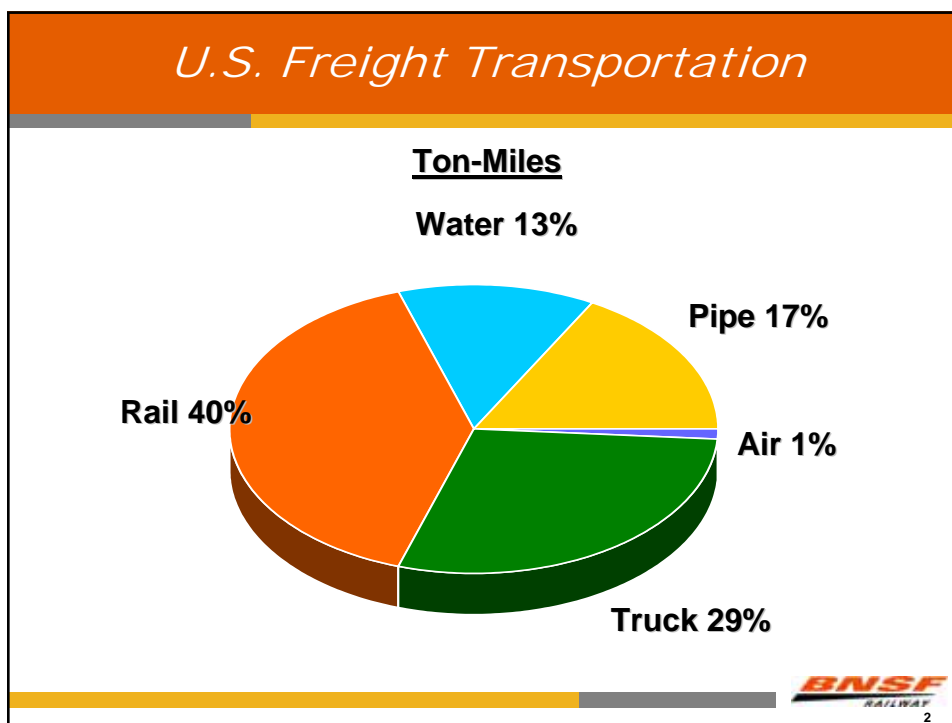


BNSF / Rail Industry Overview

A rich history...

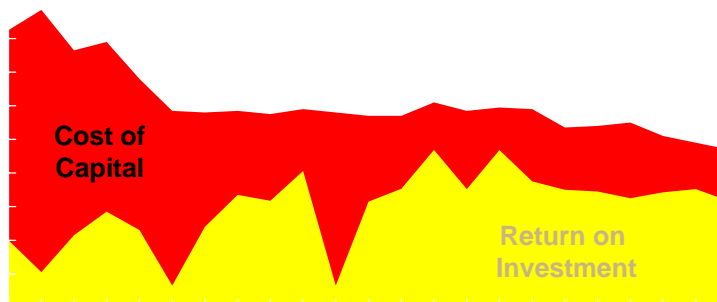
- BNSF is 158 years old, with over 300 predecessors, including the Great Northern; Northern Pacific; Chicago, Burlington & Quincy; and Atchison, Topeka & Santa Fe.
- BNSF Railway has been in the PNW since 1873.
- From hundreds of railroads, there are five "Class I Railroads" (BNSF, UP, NS, CSX, and KCS) and many short lines across the nation.
- The BNSF Railway was created in 1995 when the Burlington Northern and the Santa Fe merged. The Railway's HQ is in Ft. Worth, TX.





Railroads Haven't Earned Their Cost of Capital

Class I Cost of Capital vs. Return on Investment



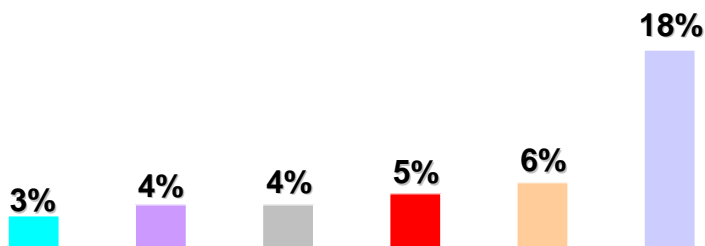
Source: Surface Transportation Board



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Railroading is Among the Most Capital-Intensive Industries

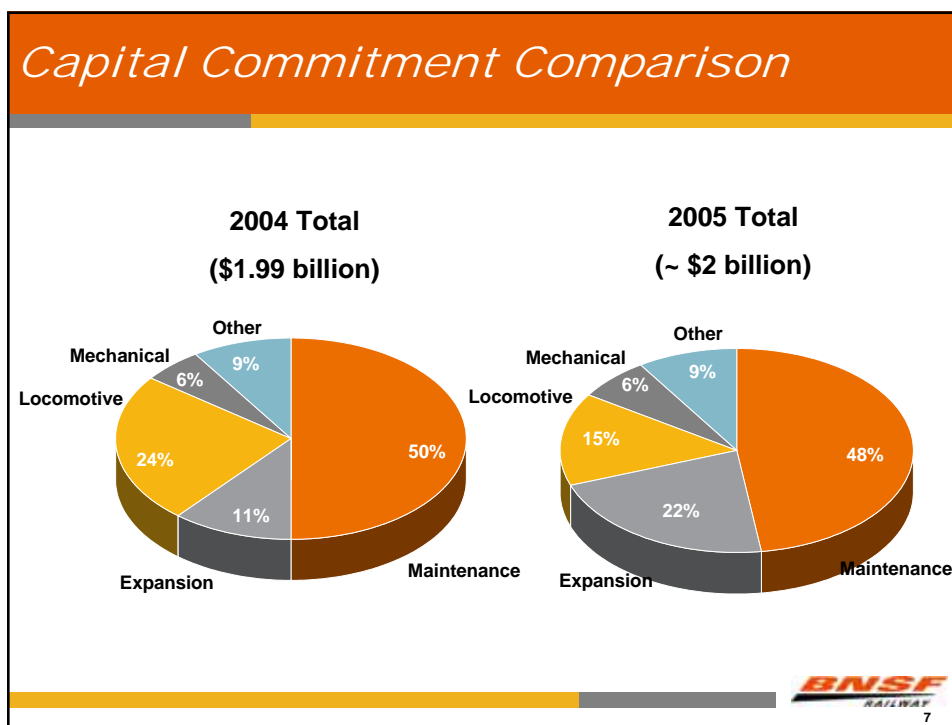
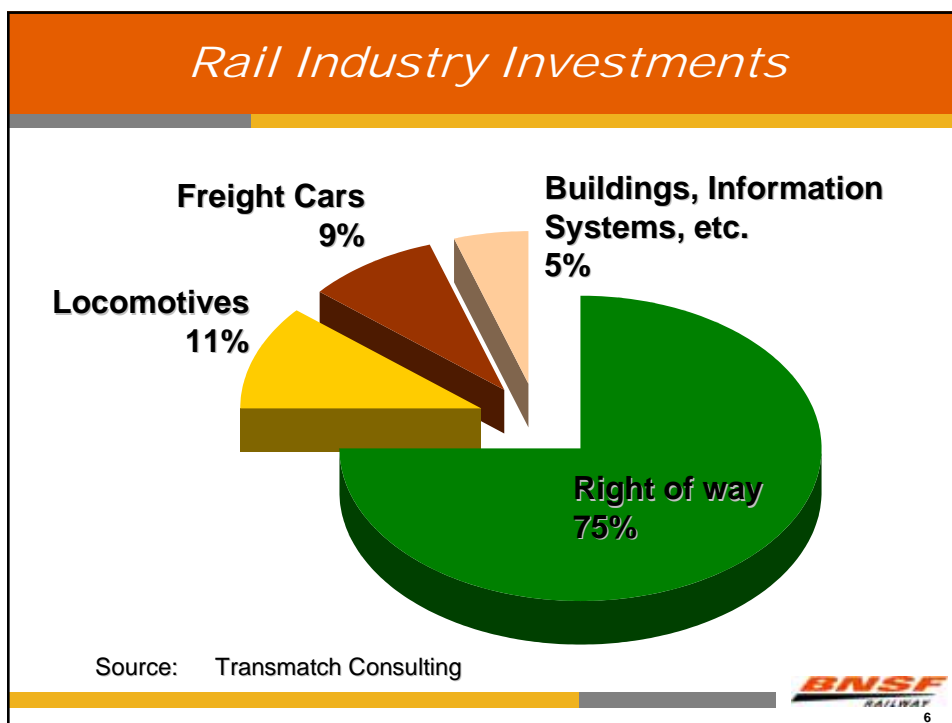
Capital Expenditures as a % of Revenue*



*2000, U.S. Bureau of the Census

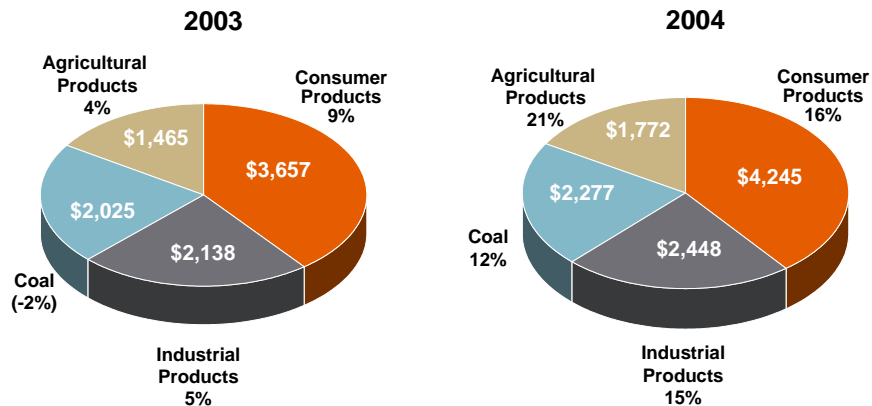


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Freight Revenues and % Growth

\$ Millions and % Freight Revenue Growth



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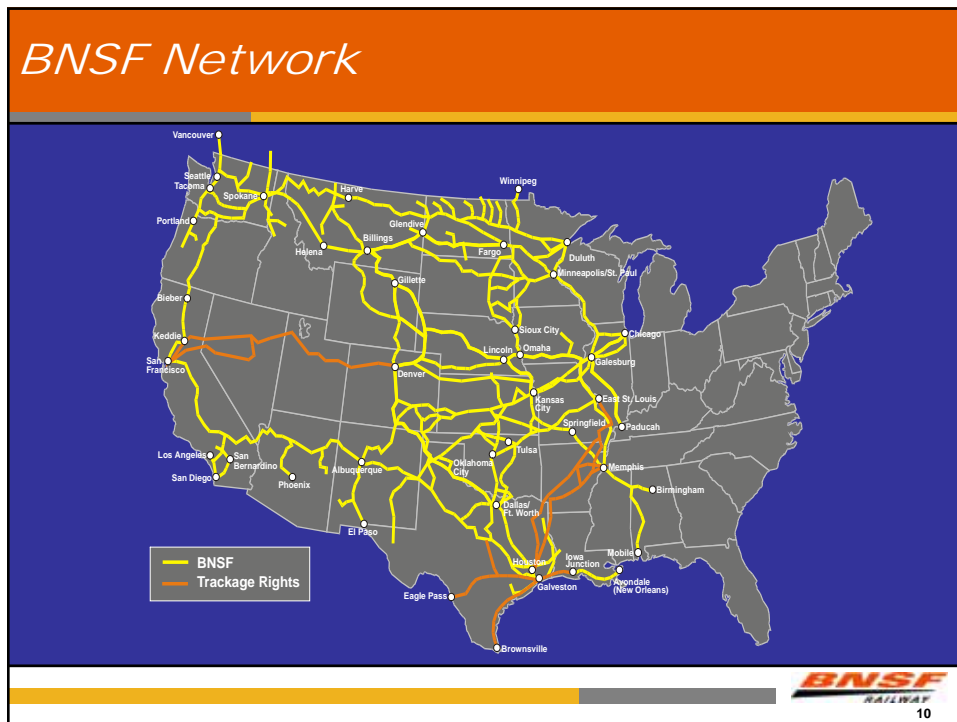
BNSF Railway Today

System wide:

- The Railway operates in 28 states and Canada, with 32,000 route miles
- 38,000 employees
- Over \$2 billion invested a year in infrastructure and technology



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BNSF Railway Today

A “21st century railroad...”

- Cars and shipments are tracked via RFID and Differential GPS
- Customers can track their shipments online (“iPower”)
- Performance and efficiency
 - Workforce: Less than half its 1980 size, with 60% more
 - Safety: 1990 accident rate 9 per 200K hours; today it’s 1.3
 - Environmental & energy benefits of rail (i.e. it takes 400 semi-trucks to carry the equivalent of 1 unit grain train)
 - Sustaining value and price: Double-digit growth in all business units, strong stock growth... Something’s changed in the railroad industry.

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Intermodal Densities



BNSF
RAILWAY

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BNSF Railway Today

In Washington State:

- 3,300 employees,
\$175M annual payroll
- Over 150 train
movements throughout
Washington each day;
1.8M carloadings
- About \$150M invested
in Washington State this
year



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RAILWAY

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BNSF Railway Today

In Oregon:

- 500 employees; \$25 million in payroll
- 390K car-loadings w/in the state ('04)
- Rail yards in Bend, Klamath Falls, and Portland—and Intermodal Hub Center



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BNSF Railway Today



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RAILWAY

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Challenges and Opportunities

Demands on Capacity:

- *Double-digit growth in all business units: Coal, Ag. Products, Intermodal, Merchandise / Industrial Products*
- *Seattle International Gateway (SIG) Yard: 30K lifts per month now, 50K by end of year*
- *According to the 2004 Marine Cargo Forecast, container imports are slated to triple over next two decades*
- *Increased demand puts pressure on key infrastructure chokepoints*
- *More traffic means tighter maintenance windows*



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Challenges and Opportunities

Financing Private Infrastructure:

- *Investments made across the 28-state system*
- *Traditional challenge of getting sufficient return on invested capital*

Safety:

- *Even with significant growth, incident factor cut from 9 to 1.47 (1990 - 05). Goal is to reach 1 per 200K man hours.*
- *Safety enhancements can be counter-intuitive to the public, i.e. remote control locomotive operations.*
- *Reaction to major incidents can complicate safety efforts.*



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